

Submission to the Productivity Commission Inquiry

Review of the Determinants of Regional Airfares in Australia

Submitted by:

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Executive Summary

Purpose

Regional aviation is essential national infrastructure for communities outside Australia's major cities. For regional Australians, air travel underpins access to healthcare, education, employment, family connection, tourism and full economic participation.

This submission draws on the lived experience of the New England region of New South Wales — particularly Tamworth and Armidale — to demonstrate how high airfares, limited competition and persistent service unreliability are constraining productivity, limiting workforce mobility and imposing avoidable social and economic costs.

It identifies clear and ongoing structural market failure and proposes practical, future-focused policy solutions capable of supporting a competitive, reliable and affordable regional aviation network.

Key Issues

1. High and inequitable airfares

Regional passengers routinely pay significantly more than metropolitan travellers, despite travelling much shorter distances. These costs act as a barrier to participation rather than a reflection of consumer choice.

2. Limited competition and fragile routes

Many regional routes operate as monopolies or duopolies. Tamworth and Armidale are each serviced by only two airlines — one connecting to Sydney and one to Brisbane — leaving communities highly exposed to disruption and price volatility.

3. Poor reliability and high cancellation rates

Tamworth and Armidale have recorded some of the highest flight cancellation rates nationally, reaching up to 10 per cent in some months. Reduced service frequency means even minor delays result in full-day disruption, lost productivity and reduced access to essential services.

4. Health system impacts

Unreliable aviation services disrupt specialist clinics and surgical schedules, delay treatment and impose additional costs on the NSW health system, particularly for patients travelling long distances from surrounding communities.

5. Productivity, workforce and regional development impacts

High airfares and unreliable services suppress tourism activity, deter workforce attraction, weaken labour mobility and undermine decentralisation objectives, reducing the return on both public and private investment in regional centres.

6. Structural market failure

Market concentration, thin routes and limited regulatory oversight have produced persistent failure in regional aviation markets, where competition is weakest and alternatives are limited.

Recommended Policy Direction (Summary)

- Formal recognition of regional aviation as essential national infrastructure
- Establishment of a National Regional Aviation Strategy
- Introduction of Public Service Obligation (PSO)–style routes for key regional hubs
- Fare oversight on monopoly and thin routes
- Targeted, outcome-based route support
- Reform of regional airport charging structures
- Improved transparency and independent monitoring
- Alignment with regional development, health, education and workforce planning

Executive Summary Conclusion

Communities such as Tamworth and Armidale do not seek special treatment. They seek fair treatment.

Affordable and reliable regional aviation is fundamental to equal participation in Australia's economic and social life. This inquiry presents a critical opportunity to establish a fairer, more resilient and future-ready regional aviation system — one that supports productivity, strengthens regional economies and ensures geography does not determine opportunity.

Full Submission

1. Introduction

The New England FEC welcomes the Productivity Commission's inquiry into the determinants of regional airfares and the performance of Australia's regional aviation network. For people living in regional, rural and remote communities, air travel is not discretionary. It is essential economic and social infrastructure.

In communities like Tamworth and Armidale, air services are fundamental to:

- accessing specialist healthcare,
- maintaining family and community connections,
- sustaining local businesses,
- attracting professionals and workers,
- supporting tourism,
- and enabling young people to study and return home.

Yet regional Australians are routinely subjected to higher prices, fewer services, less reliability and less choice than their metropolitan counterparts. This is not accidental. It is the result of structural market failure combined with long-term policy neglect.

This inquiry is not just about marginal price differences. It is about whether regional Australia is treated as an equal participant in the national economy — or as an afterthought.

In regions such as New England, aviation enables access to healthcare, education, employment, family connection, tourism and participation in the national economy. Without reliable and affordable air services, regional Australians face structural disadvantage based solely on geography.

2. The New England Context – Tamworth and Armidale

Tamworth and Armidale are major regional hubs servicing a wide geographic catchment including Gunnedah, Quirindi, Manilla, Barraba, Uralla, Walcha, Inverell, Glen Innes and surrounding communities.

Tamworth Base Hospital is a major referral centre for the North West and New England. Armidale is home to the University of New England. Both centres support significant education, health, agricultural, government and service industries.

Despite their importance, air services to both centres are limited, expensive and highly vulnerable.

Current airline services in Tamworth and Armidale:

- **Qantas** – Sydney
- **Link Airways** – Brisbane

This limited-service profile provides little resilience when delays or cancellations occur and leaves the community highly exposed to disruption.

On many days there are only a small number of flights available. When services are cancelled or delayed, there are often no practical alternatives. For many parts of New England, travel to Sydney by road can take five to eight hours. Rail services are limited, slow or non-existent.

This means that air travel is not optional infrastructure. It is core infrastructure

3. Cost and Reliability as Barriers

Regional airfares from Tamworth and Armidale routinely exceed those on major capital city routes.

This is not an abstract policy issue.

Recently, my daughter and her partner needed to return to Tamworth for a family funeral. The cost of return airfares was over \$1,000. For a short domestic journey — to attend a funeral in one's own home town — this represents an unreasonable burden. It adds significant financial pressure at a time of emotional distress.

However, in New England the challenge is not limited to cost alone. Reliability has become an equally serious concern.

Over the past two years, Qantas services into and out of Tamworth and Armidale have been repeatedly affected by:

- crew shortages,

- aircraft availability constraints, and
- pilot shortages,

resulting in frequent delays and cancellations.

For residents of Tamworth and Armidale, even routine travel for conferences, work commitments or medical appointments in Sydney has become uncertain. Travellers are now forced to factor in questions such as:

- Will the flight operate as scheduled?
- Will I arrive in time?
- Should I allow an additional day to manage the risk of disruption?

These are not considerations routinely faced by people living in metropolitan areas.

The ongoing erosion of service reliability creates uncertainty, increases stress, disrupts professional and personal commitments, and results in measurable loss of productivity for individuals, employers and regional institutions.

4. Market Structure and Route Fragility

Many regional air routes operate as effective monopolies or duopolies. When competition is limited or removed, fares increase and service quality declines. This is a predictable economic outcome — yet it continues to be tolerated within the regional aviation market.

Both Tamworth and Armidale have experienced repeated periods of service instability, including:

- route reductions,
- schedule cuts,
- full-service withdrawals (Virgin), and
- partial or temporary reinstatements.

Each time an airline exits a route, communities are left with either no service or a single provider. The immediate consequences are higher fares, reduced frequency and the loss of genuine consumer choice.

The collapse of Tigerair, the exit of Bonza and the ongoing financial instability of Rex have further weakened competitive pressure across regional Australia. For communities such as ours, the implications are stark: should Rex cease operations, large parts of regional New South Wales would face severe disruption or effective isolation.

This level of systemic risk would not be tolerated in metropolitan transport networks. Yet in regional aviation it has become accepted as normal.

Tamworth and Armidale are not marginal or peripheral locations. They are major regional service centres supporting extensive catchments across the New England and North West. Their exposure to repeated service instability highlights just how fragile — and how unsustainable — the current regional aviation market has become.

5. Health System Impacts

The reliability problems affecting air services into Tamworth and Armidale are creating significant flow-on costs for the NSW health system and serious consequences for patients.

Specialists are routinely scheduled to fly from Sydney to Tamworth and Armidale to deliver full days of clinics and surgical services. When flights are delayed or cancelled, specialists may arrive late or be unable to attend at all. As a result:

- entire days of appointments must be rescheduled,
- theatre lists are disrupted, and
- patients are sent home without receiving treatment.

Many of these patients have travelled considerable distances from surrounding communities such as Inverell, Glen Innes and Gunnedah — often under painful, exhausting or medically difficult conditions. Being advised that a long-awaited appointment or surgery has been postponed because the specialist was unable to arrive on time adds a significant layer of distress.

These disruptions have wide-ranging consequences, including:

- increased costs to the health system,
- wasted clinical time and resources,
- extended waiting lists, and
- prolonged illness and delayed recovery for patients.

This is not a minor inconvenience or scheduling issue. It is a fundamental matter of healthcare access.

A system in which access to essential medical services is determined by the reliability of airline schedules is not an equitable system.

6. Service Reductions and Loss of Flexibility

The reduction in service frequency has significantly compounded the challenges facing regional air travel.

There is no longer a mid-morning flight into Armidale. The removal of this service has eliminated essential flexibility from the network, meaning that even minor delays now produce disproportionate consequences. Where travellers once had alternatives, they are now left with none.

This was experienced directly last August by an Armidale councillor returning from a conference in Canberra. When the early flight was delayed, the councillor missed the only available connecting service into Armidale. In the absence of a mid-morning alternative, an expected arrival at 9:30 am — allowing for a full day of work and scheduled media commitments — instead became an arrival at 5:00 pm that evening.

This outcome is neither efficient nor productive. It would not be tolerated in metropolitan transport networks, yet it has become routine in regional aviation.

The ongoing reduction in service frequency has transformed minor operational disruptions into major dislocations, imposing unnecessary cost on regional councils, employers, public institutions and the communities they serve and undermines regional productivity.

7. International Travel and Hidden Costs

For many people in the New England, the unreliability of regional air services has reached the point where travelling internationally now requires precautionary overnight travel to Sydney to avoid the risk of missed connections.

This imposes:

- additional financial cost,
- additional time away from work and family, and
- unnecessary inconvenience.

What should be a reliable transport system has instead forced regional residents to adopt costly workarounds simply to manage risk.

This practice has become normalised — not because it is reasonable, but because the current system cannot be relied upon.

As a result, regional Australians are routinely required to absorb hidden and ongoing costs merely to participate in work, family responsibilities and life beyond their region — a burden not borne by metropolitan travellers.

8. Cancellation Rates and Limited Alternatives

Tamworth and Armidale have recorded some of the highest flight cancellation rates in the country, with up to 10 per cent of scheduled services cancelled in some months. This level of unreliability would be unacceptable in any major transport network, yet it has become routine in regional aviation.

Alternative transport options are severely limited. Rail services are infrequent, slow, or non-existent and often require a full day of travel. Long-distance road travel is frequently exhausting and, in many cases, unsafe or impractical — particularly for older residents, people with health conditions, or those travelling for essential medical or work-related reasons.

For regional centres supporting major education, agricultural and service industries, this degree of unreliability is not a minor inconvenience. It constitutes a structural barrier to economic and social participation.

Its impacts extend across everyday life, affecting:

- the ability to meet work and employment obligations,
- participation in education and training,
- timely access to healthcare and specialist services,
- maintenance of family and caring relationships, and
- business confidence, planning and investment.

In these circumstances, air travel in the New England cannot be characterised as a discretionary convenience. It is essential infrastructure — made necessary by distance, service concentration and the realities of regional Australia.

9. Health, Education, Workforce and Economic Participation

Demand for air services in Tamworth and Armidale is not discretionary. It is driven by necessity and directly linked to regional productivity, workforce participation and economic efficiency.

Health

Tamworth Base Hospital services a large regional catchment; however, many specialist services remain located in Newcastle or Sydney. As a result, residents routinely travel for:

- oncology treatment,
- cardiology services,
- advanced diagnostic testing,

- complex surgical procedures, and
- specialist medical consultations.

For elderly patients, people with disability and families travelling with children, long-distance road travel is often unrealistic, medically inappropriate or unsafe. In many cases, air travel is the only viable option.

When airfares are high or services unreliable, access to healthcare is delayed. This results in extended illness, reduced workforce participation, increased demand on acute services and higher long-term costs to the health system.

High airfares therefore operate not only as a social barrier, but as a constraint on economic participation and productivity.

A system in which access to essential healthcare is shaped by airfare pricing represents an inefficient allocation of resources and an inequitable outcome.

Education

Armidale is home to the University of New England, a major regional education institution drawing students from across New South Wales and Queensland. These students rely on air travel to maintain family connection and manage personal, health and financial circumstances.

The New England also has a high proportion of boarding school students. For many families, air travel is the only practical means of maintaining regular contact with their children.

These costs are not discretionary consumption. They are structural inputs into regional education systems.

High airfares increase the cost of participation in regional education, reduce student mobility, and undermine the attractiveness of regional institutions — with long-term implications for skills development and regional human capital.

Workforce and Professional Attraction

Tamworth and Armidale depend heavily on fly-in and mobile professionals, including:

- doctors and medical specialists,
- nurses and allied health workers,
- teachers and education staff,
- engineers, and
- government employees.

Reliable and affordable air services are essential to recruitment, retention and workforce stability.

High fares and service unreliability deter applicants, constrain labour supply, complicate rostering and contribute to burnout — increasing turnover and recruitment costs for both government and private employers.

From an economic perspective, poor connectivity increases transaction costs, reduces labour mobility and weakens regional productivity.

If governments seek to support decentralisation, address workforce shortages and improve regional economic performance, affordable and reliable aviation connectivity is not optional infrastructure — it is a prerequisite. At present, that prerequisite is not being met.

10. Tourism and Regional Economies

Tamworth is nationally recognised as a major regional events centre, hosting large-scale activities including the Tamworth Country Music Festival, agricultural shows, sporting events and professional conferences. These events attract substantial visitor numbers and generate significant economic activity across accommodation, hospitality, retail and transport sectors.

The ongoing viability of this events economy is directly dependent on affordable, reliable aviation connectivity.

High airfares and persistent service unreliability materially reduce demand by increasing both the financial cost of travel and the perceived risk of disruption. Event organisers, delegates and visitors factor in not only accommodation and registration costs, but also the probability of delays, cancellations and missed connections.

These considerations increasingly influence location decisions. For example, Tamworth recently lost a NSW conference to Orange — not because of venue limitations or local capability, but because of the cost and uncertainty associated with travelling to the region.

From an economic perspective, this represents a loss of productive activity that is not driven by local competitiveness, infrastructure quality or labour availability, but by transport market failure.

When air travel is expensive or unreliable, demand is diverted to alternative destinations with more predictable connectivity. This distorts regional competition, advantaging locations with stronger aviation access rather than those best placed to host events or deliver economic value.

The consequences flow directly through the local economy, reducing revenue and employment in:

- accommodation and short-stay services,
- hospitality and food services,

- retail and visitor spending, and
- event-related contracting and supply chains.

Over time, unreliable connectivity erodes confidence among event organisers, reduces forward bookings, and weakens investment certainty. This limits scale, reduces utilisation of existing infrastructure, and constrains regional productivity growth.

In economic terms, inadequate regional aviation connectivity acts as a binding constraint on output, suppressing tourism yield, reducing labour utilisation and diminishing the return on public and private investment.

Regional aviation policy is therefore not merely a transport consideration. It is a determinant of regional productivity, competitiveness and economic efficiency.

11. Decentralisation and Regional Growth

New England actively promotes itself as a destination for people seeking:

- affordable housing,
- strong community connection,
- lifestyle change, and
- access to regional employment opportunities.

However, prospective residents consistently ask practical questions:

- How do I get to the city when I need to?
- How easily can family visit?
- What happens in an emergency?

When the answer is that travel is expensive, unreliable or uncertain, people hesitate. When regional mobility is expensive or unreliable, relocation becomes a higher-risk decision.

High airfares and poor service reliability therefore operate as a direct constraint on regional population growth. They undermine workforce attraction, discourage relocation and weaken the effectiveness of decentralisation policy.

From an economic perspective, high airfares and poor service reliability reduce labour mobility, limit the effective utilisation of regional housing supply and weaken the responsiveness of labour markets.

From a policy perspective, this represents a fundamental contradiction.

Governments cannot credibly promote regional migration while maintaining transport systems that make regional mobility costly, uncertain and difficult.

You cannot encourage people to move to the regions while making it expensive and unreliable for them to leave.

Decentralisation cannot succeed where mobility is constrained.

12. Why the Market Is Not Fixing This

The current policy model allocates risk and cost in a fundamentally inefficient way. Most of the commercial risk is borne by airlines, the financial burden is passed on to passengers, and government intervention remains largely reactive rather than strategic.

The consequences follow a predictable cycle:

- carriers struggle to sustain marginal routes,
- service levels decline,
- communities experience reduced connectivity,
- governments intervene through temporary or ad hoc assistance, and
- that support is later withdrawn, reinstating instability.

This pattern reflects the absence of a durable policy framework. It is not a strategy — it is recurrent crisis management.

Regional aviation is being treated as though it were a discretionary consumer market, when in practice it functions as essential economic infrastructure. In thin markets characterised by limited competition, high fixed costs and geographic constraint, normal market disciplines do not operate effectively.

Expecting competition alone to deliver affordable, reliable regional air services is therefore economically unsound. The persistence of high fares, service withdrawal and instability demonstrates clear and ongoing market failure.

Without structural reform, these outcomes will continue to repeat — at increasing cost to regional communities, government and the national economy.

13. International Comparisons

Other countries with dispersed populations and challenging geography have adopted more deliberate and effective approaches to regional aviation.

- **Scotland** operates Public Service Obligation routes that guarantee minimum service levels and place limits on fares to ensure affordability.

- **Norway** treats regional aviation as an integral component of its national transport network, supported through long-term subsidies and coordinated planning.
- **Canada** provides targeted support for remote and regional routes, explicitly recognising aviation as essential to economic and social participation.

These jurisdictions do not assume that thin markets will sustain themselves through competition alone. They acknowledge structural constraints and intervene accordingly.

Australia has largely chosen not to adopt this approach.

The resulting outcomes — high fares, service instability and repeated market failure — are therefore not inevitable. They are the product of policy settings.

This is not a geographic problem. It is a policy choice.

14. Closing the Gap Considerations

For First Nations communities across regional and remote New South Wales, reliable and affordable aviation access is essential to both economic participation and the delivery of Closing the Gap commitments.

Air connectivity enables access to healthcare and specialist services, supports participation in education and training, facilitates workforce mobility, and allows people to take up employment opportunities that would otherwise be inaccessible due to distance and service concentration.

When air services are unreliable or prohibitively expensive, these pathways are constrained. Reduced connectivity limits labour market participation restricts access to essential services and reinforces geographic disadvantage.

In practical terms, inadequate aviation access directly undermines progress against Closing the Gap targets relating to health, education and employment. Commitments made in policy frameworks cannot be realised without the infrastructure that enables participation.

In this context, regional aviation connectivity is not symbolic or supplementary. It is a foundational requirement for equity, economic inclusion and government accountability in delivering Closing the Gap outcomes.

15. Recommendations (cross-referenced)

In light of the evidence outlined throughout this submission — including persistent affordability pressures (Sections 3–4), service unreliability and cancellations (Sections 6–8), health system impacts (Section 5), productivity losses (Sections 9–10), workforce constraints (Section 11), decentralisation barriers (Section 12), and implications for Closing the Gap outcomes (Section 13) — I urge the Commission to recommend a coherent national framework that treats regional aviation as essential infrastructure and addresses ongoing structural market failure.

The following recommendations are practical, targeted and capable of implementation within existing policy settings.

1. Establish a National Regional Aviation Strategy

(Linked to Sections 1, 3, 11 and 12)

The Australian Government should develop and implement a National Regional Aviation Strategy that:

- formally recognises regional aviation as essential economic and social infrastructure;
- integrates aviation planning with regional development, health, education and workforce policy;
- provides long-term certainty for communities, airports and carriers; and
- replaces reactive, crisis-driven intervention with structured and coordinated planning.

This responds directly to the fragmented and reactive policy approach identified throughout this submission.

2. Introduce Public Service Obligation (PSO)–Style Routes for Key Regional Centres

(Linked to Sections 2, 6, 8 and 10)

PSO-style arrangements should be established for major regional hubs such as Tamworth and Armidale, recognising their role as service centres for extensive catchments.

These arrangements should guarantee:

- minimum service frequencies;
- minimum seat availability; and
- affordable fare benchmarks.

This responds to demonstrated service instability, high cancellation rates and the lack of network resilience.

3. Implement Fare Oversight on Monopoly and Thin Routes

(Linked to Sections 3, 4 and 8)

Where routes operate as effective monopolies or duopolies, fare oversight mechanisms should be introduced, including:

- monitoring of average fares and volatility; and
- the capacity to apply fare corridors or caps where competition is absent.

This addresses persistent affordability pressures in markets where consumers lack meaningful choice.

4. Introduce Targeted, Outcome-Based Route Subsidies

(Linked to Sections 4, 6 and 9)

Route subsidies should be transparent, targeted and time-limited, with funding tied to measurable outcomes including:

- service frequency,
- reliability, and
- affordability.

This ensures public investment delivers clear community benefit and avoids open-ended support.

5. Reform Airport Charging Structures for Regional Airports

(Linked to Sections 3 and 8)

The regulatory framework governing regional airport charges should be reviewed to address:

- disproportionate per-passenger compliance and security costs;
- limited capacity for cross-subsidisation; and
- the essential public service role of regional airports.

This responds to cost pressures that flow directly into higher airfares.

6. Improve Transparency and Competition in Regional Aviation Fuel Markets

(Linked to Sections 3 and 11)

Measures should be introduced to:

- improve transparency in regional aviation fuel pricing;
- encourage competition in fuel supply; and
- address structural regional price differentials.

Fuel costs remain a major but poorly scrutinised driver of regional airfares.

7. Support Market Entry and Competition

(Linked to Sections 4 and 7)

Barriers to entry for new or expanding regional carriers should be reduced through:

- early-stage risk-sharing mechanisms;
- underwriting of initial services on priority routes; and
- support for aircraft access and leasing.

This responds to the market concentration and fragility identified across multiple sections.

8. Provide Long-Term Certainty for Regional Carriers

(Linked to Sections 4, 7 and 11)

Governments should move away from emergency bailouts toward predictable, long-term support frameworks that allow carriers to:

- plan fleet investment;
- train and retain staff; and
- deliver consistent services.

Certainty improves reliability while reducing long-term public cost.

9. Protect Strategic Regional Hubs such as Tamworth and Armidale

(Linked to Sections 2, 6, 8 and 10)

Major regional centres servicing wide catchments should be formally recognised as strategic aviation hubs.

Policy settings should provide:

- protection against sudden route withdrawal;
- minimum connectivity standards; and
- targeted intervention where viability is threatened.

Loss of connectivity at hub airports has region-wide consequences.

10. Align Aviation Policy with Decentralisation and Workforce Strategies

(Linked to Sections 9, 10 and 12)

Regional aviation policy should be explicitly aligned with:

- decentralisation objectives;
- workforce attraction and retention programs; and
- health and education service planning.

Connectivity must be treated as a prerequisite for these policies to succeed.

11. Recognise Aviation's Role in Closing the Gap

(Linked to Section 13)

Aviation access should be explicitly recognised as enabling infrastructure for Closing the Gap outcomes, particularly in relation to:

- healthcare access,
- education and training participation, and
- employment mobility.

Without reliable connectivity, government commitments cannot be fully delivered.

12. Establish Ongoing Monitoring and Public Reporting

(Linked to Sections 3, 4 and 8)

The Commission should recommend regular, independent public reporting on:

- regional airfares;

- service frequency and cancellations;
- capacity and market concentration.

This would improve transparency, strengthen accountability and reduce reliance on crisis-driven intervention.

16. Conclusion

For communities such as Tamworth, Armidale and the broader New England, aviation is not a matter of convenience. It is fundamental to access — to healthcare, education, employment, family connection and opportunity.

When flights are unaffordable, unreliable or unavailable, regional people are not simply inconvenienced. They are excluded — from essential services, from economic participation and from full involvement in national life.

A nation that is serious about regional development, decentralisation and equity cannot accept this as a normal or unavoidable outcome.

New England does not seek special treatment. It seeks fair treatment.

And fair treatment means affordable, reliable access to the rest of the country — not as a privilege, but as a basic condition of participation in modern Australia.

Connectivity should not depend on postcode. It should reflect national commitment.
